

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF ILLINOIS**

In Re:)	IN CHAPTER 7 PROCEEDINGS
)	
CHEMETCO, INC.)	BK 01-34066
)	
Debtor.)	

**REPLY OF PMES TO OBJECTIONS OF OLIN AND INTERCO
TO TRUSTEE'S APPLICATION TO APPROVE SETTLEMENT**

COMES NOW Paradigm Minerals and Environmental Services, LLC ("PMES"), by counsel, and submits this Reply to the Objections (collectively, the "Objections") filed by Olin Corporation ("Olin") and Interco Trading Company ("Interco"):

1. **PMES Joins in the Trustee's and Government's Replies:** PMES adopts and incorporates herein the replies (collectively, the "Replies") of the Trustee, Donald Samson, and the United States of America, on behalf of the U.S. Environmental Protection Agency ("EPA"), and the Illinois Environmental Protection Agency ("IEPA"), which have been filed with this Court and which respond to the Objections.

2. **No Sales Activities Prior to PMES:** From 2001 to 2009, the scrubber sludge and other metal bearing materials at Chemetco remained largely untouched. During this period, Chemetco suffered several unsuccessful attempts at processing and marketing the metal bearing material on site.

3. **PMES Has Made a Substantial Investment in this Project:** In September, 2009, this Bankruptcy Court approved the Asset Purchase and Processing Agreement (the "APPA") under which PMES solely funded the demolition work (at no cost to taxpayers) and marketed the sale of the material on site. In pursuit of these objectives, PMES has incurred expenses well in excess of \$3 million.

a. PMES has hired engineering, environmental and legal consultants and incurred costs over \$1.4 million in this regard.

b. Demolition costs are in excess of \$2.2 million.

PMES has made these substantial expenditures notwithstanding that it is not a Potentially Responsible Party (“PRP”) and PMES has no obligation whatsoever to remediate the Chemetco site.

4. **Chemetco Was Designated a Superfund Site During the APPA:** On or about March 4, 2010, over the objections of the Estate and PMES, the EPA listed the Chemetco site on the National Priority List (“NPL”), thereby designating it as a “Superfund” site. This designation dramatically increased the cost of environmental compliance and other activities on site, and negatively impacted the value and future potential development of the site.

5. **Settlement Resulted from Necessary and Vigorous Negotiations:** As explained in the Replies, and as evidenced by the pleadings filed with this Court (see list of motions to clarify, appeals and other pleadings set forth in Olin’s Objection at 1&2), there have been significant disputes concerning the APPA. In addition, given the Superfund designation and other increased costs, the continued feasibility of the PMES’ activities at Chemetco site were threatened. PMES, the Trustee, IEPA, EPA and Commerce Bank (“Commerce”) negotiated to obtain much needed clarification and certainty under the APPA. These negotiations resulted in a tentative agreement on February 2, 2012, which was further negotiated and documented through substantial efforts, ultimately leading to the Trustee’s Application to Approve Settlement filed herein on August 23, 2012.

6. **The Settlement Is in the Best Interests of All Parties:** As indicated in the Replies, the Settlement is in the best interests of all parties.

a. PRPs are benefited because:

i. Metal bearing material on site has been and will continue to be removed and sold (see Trustee's Reply at 2).

ii. The Escrow Fund set aside for remediation is no longer capped (see EPA/IEPA Reply at 5).

iii. The Escrow Fund set aside for remediation is no longer restricted to items caused by PMES, but instead includes existing conditions (see EPA/IEPA Reply at 5).

iv. PMES agreed to reimburse the Trustee for approximately \$537,000 in disputed charges related to sales (see Trustee's Reply at 4).

v. PMES' sales efforts could result in substantial sales revenue for the benefit of all PRPs and creditors (see Trustee's Reply at 4&5).

b. Unsecured creditors are benefited by the Settlement because it expands the costs that PMES will incur associated with its processing and sales efforts and provides only for the reimbursement of such costs on a percentage of sales (see IEPA/EPA Reply at 12&13).

c. The parties to the Settlement respectfully seek its approval.

WHEREFORE, for the reasons stated herein, PMES submits that the Settlement represents a balanced approach to resolving disagreement over the effect and meaning of the successive iterations of the APPA in a way that advances the legitimate interests of the various constituencies. PMES therefore respectfully requests that the Court approve the Settlement and deny the Objections.

Dated: September 20, 2012

Respectfully submitted,

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CERTIFICATE OF SERVICE

I, the undersigned, hereby certify that on this 20th day of September, 2012, the foregoing was served electronically via the Court's ECF/CM system and via first-class mail, postage prepaid, on the following parties:

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